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## Rising food prices affecting consumer confidence

By Carol L. Spence

LEXINGTON, Ky., (Jun 6, 2008) - Many people are talking about it. Most people have noticed it. It can't be ignored any longer. The family food budget doesn't stretch as far as it did a year ago. Food prices from Laos to Louisville are increasing at the fastest rate in years, fueling consumer concerns. Reflecting those concerns, the Consumer Confidence Index for May declined for the fifth month in a row and fell to a 16-year low.

Around the globe, the cost of food is increasing. On average, food prices in this country have risen 5 percent in the last year. That may not sound like a huge increase, but prices haven't risen this sharply for 30 years. And it looks as if the trend will continue for a while.

"To find a similar food price increase situation, we have to go back to the 1970s," said Larry Jones, University of Kentucky agricultural economics professor.

Both eras have similar characteristics, including a run-up in energy prices and rapidly rising commodity prices. In the 1970s, as prices soared so did inflation, and the Federal Reserve moved to curtail it by raising interest rates.

"Interest rates went sky high, and the farm economy really plummeted," he said. "Those of us who have a few years on us and remember those times get a little nervous when we see low interest rates and rapidly rising commodity prices again. We hope it's not an artificial bubble that's going to break, but that's a concern."

In a global marketplace, what affects one country affects others. The economic development of the world's two largest nations, China and India, has had an impact on global prices. Part of that impact comes from their increased demand for grain.

"As their incomes increase, they tend to, like us, eat more meat, and that typically takes more feed grains like corn," Jones said.

The demand for ethanol is also fueling the skyrocketing demand for corn.

Both Jones and Lee Meyer, UK agricultural economist and extension specialist for sustainable agriculture, feel as if this particular situation may take a few years to play out. Meyer attributes that timeline to the fact that the current situation seems to be demand rather than supply driven.

"If we have a drop in supply, such as a bad crop year, all of a sudden prices go way up," he said. "But then you can come back to normal, and in one or two years, you recover the supply-demand balance. When an increase in demand drives the situation, there's not excess capacity to recover. You need to remobilize a lot more resources into that sector to increase supply to respond to that high price. So that extends the time period."

It's the demand that is creating record breaking crude oil prices say analysts. Oil prices continue to set records, with crude oil trading for more than \$135 a barrel at one point in May. Analysts warn that prices could rise to \$200 a barrel in the not so distant future. Those higher prices affect everything: food in the field, in the form of higher fertilizer and chemical costs; food in the factory where processing occurs; food on the roads since several studies indicate food is often transported more than 1,000 miles before it reaches our tables; and food in the stores, where even the higher utility costs of lighting and refrigeration will find their way into your wallet.

In the United States, the value of imported food – anything from canned mushrooms from Indonesia to frozen fish from China to vine-ripened Mexican tomatoes -- is expected to exceed \$76 billion this year. In this case, it's not just energy costs driving up those prices. In the last quarter, the U.S. dollar fell to its weakest point against the euro since 1999 and against the Japanese yen since 2005. A weak dollar drives the cost of imported food and crude oil skywards.

"The dollar is the common denominator, the common currency for most oil sales anywhere in the world," Jones said. "Because that dollar is not worth as much, it's not going as far in terms of paying for a barrel of oil. So I think that one of the factors behind rising oil prices and rising commodity prices is the fact that the value of the U.S. dollar is so cheap."

American consumers, as well as farmers, may feel a bit helpless under this onslaught on their wallets. But Meyer said there are some ways for consumers – and farmers -- to buffer themselves during the price storm.

The skyrocketing price of nutrients for their crops may encourage farmers to insulate themselves from steep prices by doing more composting and making use of other sources of nutrients, he said. And consumers seeking out locally produced foods might find that lower transportation costs keep prices more stable.

Because of those factors, consumers purchasing locally raised products may soon see only modest price increases, especially in comparison to what is likely to happen at supermarkets.

Ann Bell Stone of Elmwood Stock Farm in Scott County, a certified organic operation, said that she has seen the cost of her organic chicken feed rise by 100 percent over this time last year. That increase has been caused by the steep rise in grain prices as well as the increase in transportation costs.

"But on the opposite side, because of the transportation costs, restaurants, institutions, customers, retailers are now more interested in sourcing local," she said. "It may be cheaper to have romaine lettuce from California, but getting romaine lettuce in a box here to a grocery store is going to be more equal to the cost of Kentucky farmers growing romaine lettuce. It's definitely evening out the opportunities in the market place. And local is becoming much more on the tip of people's minds, whether it's an individual customer or the food buyer at a store or a restaurant's chef."

Contact: Larry Jones, 859-257-7279; Lee Meyer, 859-257-7272, ext. 228

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## Double crop farmers face good news, bad news scenario

PRINCETON, Ky., (Jun 6, 2008)

Wheat and soybean prices are at record high levels this year. On the other hand, so are energy prices. Double crop farmers must consider both those facts...  
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## UK research serves up juicy boost to grape and wine industry

LEXINGTON, Ky., (Jun 6, 2008)

Kentucky has been experiencing somewhat of a grape revival over the past decade. Vineyard acreage has exploded to roughly 800 acres in the state with more...  
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## Johnson County program teaches youths about water

VAN LEAR, Ky., (Jun 6, 2008)

Meade Memorial Elementary School 3rd and 4th graders received firsthand knowledge about water and water quality issues in their communities as they "transformed"...  
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## 4-H'ers spice up their gardens

LEXINGTON, Ky., (Jun 6, 2008)

Gardening projects and activities have been part of 4-H for a long time, but University of Kentucky Cooperative Extension agents in Madison and Christian...  
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## 4-H GrowBiz explores the business of basil

, (Jun 3, 2008)

LEXINGTON, Ky., (May 28, 2008) – 4-H'ers are getting hands-on experience in entrepreneurship and gardening through 4-H GrowBiz, a program offered at the...  
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## Farm bill '08 enacted into law, with one exception

, (Jun 3, 2008)

LEXINGTON, Ky., (May 28, 2008) – After much debate, a presidential veto, a printing snafu and a Congressional override, 14 of the 15 titles of the Food...  
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## UK Wins \$10 Million NIH Superfund Grant

, (Jun 3, 2008)

LEXINGTON, Ky. (May 27, 2008) – The University of Kentucky has received a grant of more than \$10 million for a multi-pronged effort to study the...  
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**Field day to focus on Agriculture in a New Bioeconomy**

LEXINGTON, Ky., (Jun 2, 2008)

Each year, the University of Kentucky College of Agriculture offers many opportunities for Kentuckians to come onto its research farms and learn about current research. On June 12, the college will offer a peek into equine, forage and crop research efforts during a field day at UK’s Spindletop Research Farm in Lexington. Registration and exhibits begin at 2 p.m.

Field clinics...  
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**Rain slows corn planting, hay production across state**

LEXINGTON, Ky., (May 27, 2008)

Many corn and hay producers have faced delays this spring due to extremely wet conditions. However as summer nears, the rain is expected to slow and allow farmers time to finish their spring tasks.

Most of the state is extremely moist. As of May 19, the state is 4.04 inches above normal rainfall totals. Keys Arnold, staff meteorologist in the University of Kentucky College of...  
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**Emerald ash borer traps to be placed in northern Kentucky**

LEXINGTON, Ky., (May 27, 2008)

Bright purple 1-foot-by-2-feet triangular objects resembling box kites will be used to detect adult emerald ash borers in northern Kentucky starting in mid- to late-May. These traps will be baited with a manuka oil beetle attractant and glue to lure and capture emerald ash borers.

"These traps were designed to catch EAB (emerald ash borer) beetles that are active in the areas;...  
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